

**Preston's College**  
**Redacted and Abridged <sup>1</sup>Minutes of the Audit Committee Meeting held on 9<sup>th</sup> June 2021 at**  
**5.30pm**  
**via Zoom**

**Present:**

Mr M Driver                      Chair  
Mr S Browne  
Mr D Patel  
Mr T Readett

**Apologies:**

Cllr J Mein

**In attendance:**

Mrs L Doswell                      Principal and Chief Executive  
Mr M Frankish                      External Audit, Grant Thornton (until minute 6)  
Mr A Mawdsley                      Assistant Manager, RSM (until minute 10)  
Ms N Muthukumar                      External Audit, Grant Thornton (until minute 8)  
Mr S Nixon                              Executive Director – Resources  
Ms L Randall                              Head of Internal Audit, RSM (until minute 6)  
Mrs C Rayner                              Clerk to the Board

**1. Welcome and Apologies**

The Chair welcomed everyone to the meeting. It was noted that apologies had been received from Cllr Mein. The Chair welcomed Ms Doswell, Principal and Chief Executive, to her first meeting of the Audit Committee.

It was noted that a quorum was present.

**2. Declarations of Interest**

No declarations of interest were noted.

**3. Minutes of the previous meetings**

The Committee agreed the minutes of the meeting on 10<sup>th</sup> March 2021 as a correct record.

**Resolved: The Committee agreed the minutes of the meeting on 10<sup>th</sup> March 2021 as a correct record.**

**4. Matters arising**

The Committee noted the report on progress on actions from previous meetings.

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Please note that any matters which the Corporation is satisfied should be dealt with on a confidential basis have been removed from these minutes.

**Resolved: The Committee noted the matters arising report.**

## **5. Governance Handbook**

The Clerk reported that as part of the development of the Governance Handbook she had drafted role descriptions for all committee Chairs. The Clerk referred members to the draft role description for the Chair of Audit Committee which she had drafted in consultation with the Chair and the Executive Director of Resources after reviewing role descriptions from other colleges.

The Committee discussed the draft and noted that the role description included reference to the Chair of Audit Committee as a potential contact for whistleblowing disclosures. The Clerk confirmed that the Chair of Audit Committee was also referred to in the College's Whistleblowing Policy and Procedure as a potential contact for whistleblowing disclosures. The Committee noted the draft Chair of Audit Committee role description.

**Resolved: The Committee noted the draft Chair of Audit Committee role description.**

## **6. External Audit planning memorandum and strategy**

Mr Frankish, External Audit, Grant Thornton, presented the draft Audit Plan for Preston College dated June 2021. Mr Frankish referred to:

- Grant Thornton's proposed approach for the 2020/21 financial statements audit;
- the significant risks outlined in the report including revenue, management override of controls, pensions and the potential impact of the global pandemic on the College's going concern statement;
- other risks identified included risks relating to: employee remuneration, loan covenants, trade creditors and accruals and impairment of campus and other assets;
- for 2020/21 the Education Skill Funding Agency (ESFA) did not intend to issue a direct confirmation statement to colleges and the potential impact of this on audit work around revenue;
- Grant Thornton's approach to materiality which was not expected to change for 2020/21.

The Committee noted that it was uncertain if colleges would incur additional audit costs relating to ESFA's decision not to issue direct confirmation statements. Mr Frankish undertook to keep the Committee and management updated.

The Committee discussed its role, as outlined in the Audit Code of Practice, in monitoring the risks to the College. The Committee discussed the many challenges facing colleges and in particular the short and long term impact of Covid. Given these challenges, the Committee discussed whether a sensitivity analysis would be helpful to increase the Board and the Committee's understanding of the College's going concern position on an ongoing basis rather than waiting until the year end. The Committee also discussed the governance and insolvency regime training provided by Forbes which had highlighted the importance of Board oversight of the College's financial position.

The Committee noted the information already provided to the Board including management accounts, budgets, KPI reports and the Risk Register and the role of the Resources Committees role in monitoring

the College's performance against its key performance indicators and the role of all governors' role in reviewing the information provided and asking questions to test assumptions. Members noted the Resources Committee and the Board had considered narrative reports on potential scenario planning at the end of 2020.

Members noted the unprecedented challenges faced by colleges and significant pressures faced by management and agreed it was not the time for generating additional workload by requesting further bespoke reports for members. However, members agreed it would be helpful to set some parameters or performance indicators on going concern particularly around cash flow and cash days.

Mr Nixon undertook to review the information already provided to the Board and its committees and how the format of reporting should ensure members had regular oversight of any going concern issues. Mr Nixon also suggested it might be helpful for the Board to review the sensitivity analysis shared annually with the ESFA.

**Resolved: The Committee noted the Audit Planning Memorandum for 2020/21.**

**Actions: Mr Nixon to review the financial information provided to the Board and its committees to ensure members can have regular oversight of the going concern issues.**

*Mr Frankish and Ms Randall left the meeting*

## **7. Internal Audit Review Reports**

In response to a query from the Chair, the Committee noted an update on key personnel changes at RSM.

### **a) Quality Framework and Compliance**

Mr Mawdsley, Internal Audit– RSM, presented a report on Quality Framework and Compliance audit. Mr Mawdsley reported that substantial assurance could be given following the audit with no management actions. He reported in particular on adaptations of the Quality Framework in response to Covid to ensure that quality activities continued to take place as staff and students operated remotely during Government lockdowns and restrictions.

### **b) People Strategy Implementation Framework**

Mr Mawdsley presented a report on the People Strategy Implementation Framework audit. Mr Mawdsley reported that substantial assurance could be given following the audit and outlined one 'medium' priority management action, to increase reporting to the Resources Committee on the People Strategy Action Plan and a 'low' priority action to introduce an annual lessons learned assessment following the delivery of the People Strategy Action Plan.

### **c) Safeguarding and Prevent Framework Review**

Mr Mawdsley presented a report on the Safeguarding and Prevent – Framework Review audit including the impact of Covid. Mr Mawdsley reported that substantial assurance could be given following the audit with no management actions.

### **d) Student Records**

Mr Mawdsley presented a report on the Student Records audit. Mr Mawdsley reported that that substantial assurance could be given following the audit and outlined a 'low' priority

management action related to establishing processes surrounding the automated enrolment system. Members noted that there were no greater risks related to online enrolment and improvements had been made.

**e) Income and Debtor Management**

Mr Mawdsley presented a report on the Income and Debtor Management audit. Mr Mawdsley reported that substantial assurance could be given and outlined two 'low' priority management actions arising from this audit relating to documentation of the Executive Leadership Team review of the annual budget and business plan review and further reporting to the Resources Committee and Board on budget setting.

During discussion, and in response to questions, members noted:

- the stress testing and scenario analysis action related to the Committee's earlier discussion with management on going concern and would be progressed by management during preparation of information for the Resources Committee and the Board on the 2021/22 budget. Members discussed the importance of the Board and committees understanding the impact of Covid on income;
- the rationale for rating the stress testing / scenario analysis management action as 'low' as stress testing and scenario analysis work had been completed by management and the action related to reporting on the outcomes of this work to the Resources Committee and the Board.

**f) ICT Mobile Working**

Mr Mawdsley presented a report on the ICT Mobile Working audit. Mr Mawdsley reported that reasonable assurance could be given and outlined three management actions from this audit, two 'medium' priority actions and a 'low' priority action..

The Committee recorded thanks and congratulations to all management and staff following the Committee's consideration of excellent audit reports.

**g) FE Benchmarking Report**

Mr Mawdsley referred members to report on Further Education - benchmarking of internal audit findings 2019/20 which provided information on how the outcomes of the College's internal audits compared with RSM's FE client base for 2019/20.

**h) Internal Audit Progress report – June 2021**

Mr Mawdsley, presented the Internal Audit Progress report – June 2021.

**i) Other reports**

The Committee also noted RSM reports on:

- assignment report refresh 2021/22 which outlined changes to the categorisation of internal audit assurance levels;
- a report on emerging issues in Further Education.

**Resolved: The Committee noted the Internal Audits reports, the Internal Audit Progress report –June 2021, FE Benchmarking report, the Assignment Report Refresh 2021/22 and a report on emerging issues in Further Education. The Committee endorsed the action plans.**

## **8. Risk Management Register**

Mr Nixon referred to the Risk Management Register as of June 2021 and his report. Mr Nixon referred to the key risks including:

- achieving the Adult Education Budget (AEB) due the impact of the pandemic and the current ESFA position on threshold tolerances;
- the College's cash position and cash days;
- reduction in apprenticeship income due to the pandemic, particularly due to the January lockdown;
- increased 16-18 recruitment which would have a positive impact on 2021-22;
- increased numbers of positive Covid cases in the student population at the College which was reflective of the increase numbers of positive cases in the Preston areas. The College had not relaxed its procedures on face covering and social distancing with some staff working from home.

The Committee noted that many risks were rated red due to the impact of Covid. During discussion the Committee noted whilst many risks should return to green rating post Covid, the impact of the AEB clawback would remain. Members noted that the January – March 2021 lockdown had significantly impacted the College's ability to achieve the AEB threshold as it was a traditional recruitment period for the College. Members agreed that, given the challenges faced by the College, the achievement of the forecasted AEB was commendable.

Members discussed the Risk Register with management and during discussion noted the approach taken to curriculum planning for 2020/21 and 2021/22 in relation to Covid and the mix of theory and onsite learning.

The Chair referred to discussion at the Board meeting on 18<sup>th</sup> March 2021 that a risk should be added on Board and leadership changes due to the significant Board membership changes, with retirement of long standing governors, alongside the appointment of a new Principal and Chief Executive. The Clerk provided an update on governor recruitment activities. The Committee agreed a risk on Board and leadership changes should be added to the Risk Register.

Members discussed the advantages and disadvantages of holding governance meetings by video conference. Members discussed the risk of Zoom fatigue and some members raised concerns of the risks to quality of Board and committee discussions when using video conference over the longer term. Members agreed it was important to arrange an opportunity for governors to reconnect and meet new governors in person when it was considered safe to do so.

The auditors present also provided an update on how their work had been impacted by Covid with a mixture of remote and on site work dependent on the needs of the client and the situation at the time of the audit.

**Resolved: The Committee noted the Risk Management Register, dated June 2021, the current risks, actions completed and further actions still to be completed.**

**Action: To add a risk to the register regarding Board and leadership changes.**

*Ms Muthukumar left the meeting.*

## **9. Audit Register**

Mr Nixon presented a report on the Audit Register, dated June 2021, which summarised all outstanding or partially completed recommendations arising from internal and external audits undertaken over the last year with a RAG rating of progress towards implementation.

The Committee noted that a Health and Safety Officer was in place and the Resources Committee considered updates on Health and Safety relating to Estates management.

The Committee noted the Audit Register and progress to date.

**Resolved: The Committee noted the Audit Register, dated June 2021.**

## **10. Post-16 Audit Code of Practice 2020 to 2021**

Mr Nixon referred members to the revised Post-16 Audit Code of Practice 2020 to 2021. The Committee discussed the Post-16 Audit Code of Practice 2020 to 2021 with Mr Nixon, Mr Mawdsley and the Clerk and noted changes relating to:

- Year end reconciliation statement as discussed earlier in the meeting;
- Board effectiveness reviews;
- the external auditor would be required to present its report on the financial statements audit to the Corporation Board as well as the Audit Committee.

The Committee noted that the changes discussed would be incorporated into the Audit Committee's forward work programme.

**Resolved: The Committee noted the Post-16 Audit Code of Practice 2020 to 2021.**

**Action: To incorporate changes to the Post-16 Audit Code of Practice 2020 to 2021 into the Audit Committee's forward work programme for 2021/22.**

*Mr Mawdsley left the meeting.*

## **11. Any other Business**

### **a) Internal Audit Services Tender**

The Committee noted plans for the Internal Audit Moderation assessment panel meeting for the Internal Audit Services Tender would be held on Wednesday 16<sup>th</sup> June 2021 at 1pm. It was noted that the Chair of the Audit Committee would participate and, as per the discussion at the previous meeting, other Audit Committee members were invited to join the assessment panel.

It was noted that members of the assessment panel would be required to evaluate all bids ahead of the meeting.

**Resolved: The Committee noted the update on the Internal Audit Services Tender.**

The Chair reported that this would be the last Audit Committee meeting for Cllr Mein and recorded thanks to Cllr Mein for her contribution to the Committee. The Chair reported that as Mr Readett's term of office ended in October 2021 it might also be Mr Readett's final Audit Committee meeting, and recorded thanks to Mr Readett for his contribution on behalf of the Committee.

**12. Date of next meeting**

The Committee noted that the governance meeting dates for 2021/22 would be confirmed at the Board meeting in July.

*The meeting concluded at 7.23pm*